ABSTRACT

This study investigates political cost hypothesis to obtain empirical evidence about earnings manipulation. This study also aims to examine the relation between the extent of corporate social disclosure (CSD) and earnings management. This issue is examined within the context of earnings management in response to government regulatory threat by non-finance firms that are published in Indonesia Stock Exchange.

Manipulation to reduce reported earnings estimates by negative discretionary accruals. Measurement of corporate social disclosure is based on corporate social disclosure index that seen from company's annual report. Data was analyzed using classical assumption and linear regression.

The analysis found significant negative discretionary accruals during period of the regulatory threat appearance. Furthermore, the results also show that pre-event corporate social disclosure has no significant impact on earnings management.

Keywords: *Corporate Social Responsibility (CSR), Corporate Social Disclosure (CSD), government regulatory, earnings management, political cost hypothesis, non-finance firms.*